

Freight Providers



Doug Ljungren, Port of Tacoma

What's at Stake

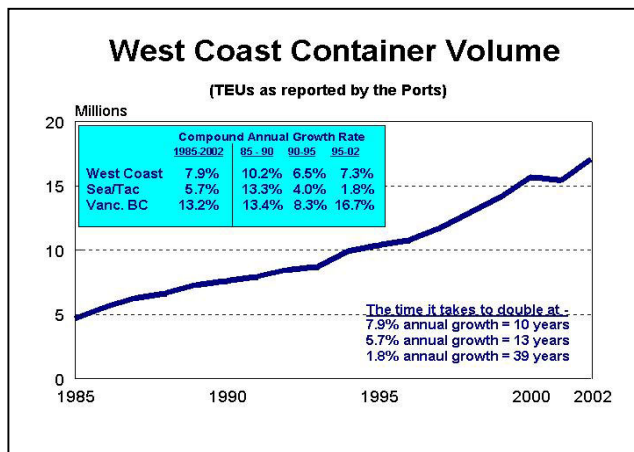
Local jobs! Every 1000 twenty-foot equivalent units (TEUs) creates 2.7 direct transportation service jobs. An average container vessel calling in Tacoma creates 7.8 full time equivalent (FTE) direct jobs. The Ports of Seattle and Tacoma combined create 12,300 direct transportation service jobs.

Overall growth in West Coast container volume has slowed since 1990, from 10.2% to 7.3%. Seattle and Tacoma have experienced the slowest growth (1.8%) between 1995 and 2002, while Vancouver, BC has seen a growth of 16.7% during the same time period. In the past 5 years, Puget Sound ports have seen a TEU growth of 8%, compared to a 74% growth enjoyed by Vancouver.

The Competition - Major Container Ports in North America

	<u>2002 TEUs</u>
1. Los Angeles	6,105,863
2. Long Beach	4,524,039
3. NY/NJ	3,749,014
4. Oakland	1,697,618
5. Charleston	1,592,836
6. Tacoma	1,470,834
7. Vancouver B.C.	1,458,242
8. Seattle	1,438,871
9. Hampton Roads	1,437,779

Source: presentation by Doug Ljungren, 9/23/03



Source: presentation by Doug Ljungren, 9/23/03

The Puget Sound region's share of *foreign* market TEUs has decreased 11.9% since 1998. We've lost to Vancouver and California, as well as to East Coast ports.

Threats/Challenges

- The Alliance of Cooperation between the Panama Canal and East Coast Ports has created an improved all-water route from Asia to the East Coast. New projects will boost transits by up to 25%.
- Canadian Rail Lines offers better rates to the American heartland than US railroads can offer.
- West Coast ports including LA/Long Beach and Vancouver, B.C, continue to increase their share of marine cargo trade.



Source: presentation by Doug Ljungren, 9/23/03

Strategies

- An efficient local transportation system will enhance the competitiveness of local shippers as well as attract international cargo.
- Capacity at the Ports of Seattle and Tacoma needs to be increased through land, technology, and efficiencies.
- This effort will require alliances.



Photo courtesy Doug Ljungren, Port of Tacoma



Kent Christopher, Port of Seattle

What's at Stake

The Port of Seattle generates 165,000 regional jobs, \$12 billion in business revenues, \$1.3 billion in local purchases, and \$606 million in state and local tax revenues. The Port has a trade imbalance of \$23.8 billion – we import \$18.5 billion, but export only \$5.25 billion. Washington exporters take advantage of these empty containers for shipping.

Threats/Challenges

- Larger ships impact the Port's physical and operational capacity. The Port must purchase expensive larger cranes and develop larger terminals, which is difficult in an urban area.
- Competition from all West Coast ports, already an issue, is exacerbated by rail rate incentives available in Canada but not in the U.S.
- Competition also comes from East Coast and Gulf ports.
- Constraints of land use and urban infringement on port expansion limit options.
- Government regulation is a continuing issue.



Photo courtesy Kent Christopher, Port of Seattle

What's Working

- On-dock and near-dock rail.
- Intermodal connections.
- Interstate access improvements.
- Terminal investments totaling \$641 million.
- Partnerships with truckers to improve access.
- Competitive, sometimes faster, rail travel times to Chicago.

Strategies

- Grow regional distribution and intermodal services.
- Evaluate agile port concepts.
- Improve Port efficiencies including terminal access, and technology, operational, and security initiatives.
- Invest in transportation infrastructure.

Cliff Benson, Puget Sound Steamship Operators Association

What's at Stake

The steamship industry includes containers and bulk cargo, and consists primarily of foreign-owned ships. The biggest concerns of foreign owners are overall time, reliability, and cost, rather than the specifics of local regulations. The industry growth is shifting from the Northwest due to the increasing population density and high cost of doing business; however, that shift may be slowing.

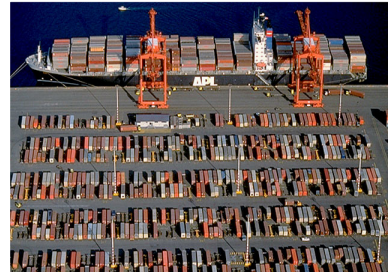


Photo courtesy Kent Christopher, Port of Seattle

Threats/Challenges

- The land side of shipping is more problematic and less reliable than the marine side.
- Disparate security regulations among states conveys the impression that doing business in the Northwest is unfavorable.
- Commuter rail blackout periods may significantly affect rail.
- Breaching the Columbia River dams without dredging will make that route nearly impassible for grain freight.
- The public does not understand the importance of freight movement to the economy and jobs.

Strategies

- Freight needs to have a continuing voice and presence in the minds of the public and legislature, to ensure awareness of the necessity of freight, and to ensure that freight issues are dealt with.



Photo courtesy Kent Christopher, Port of Seattle



Chris Fidler, DHL/Airborne Express

What's at Stake

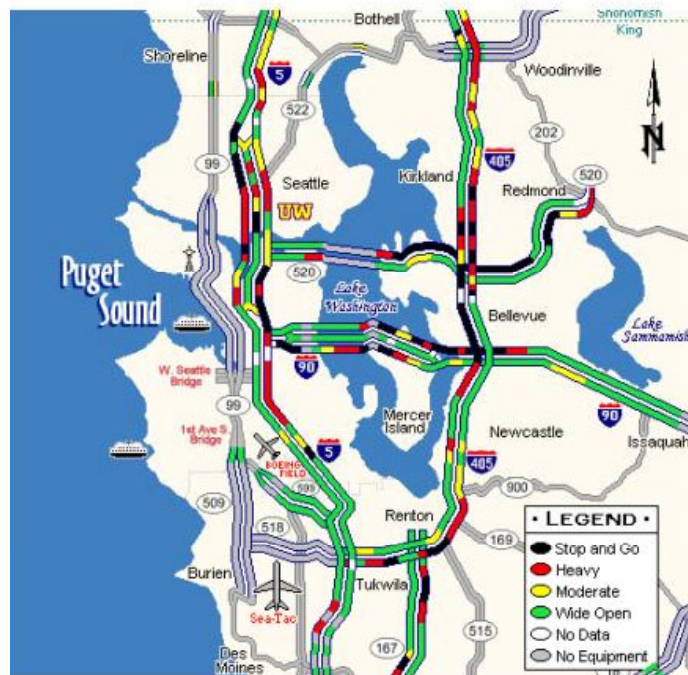
Businesses need access to an efficient distribution system, and will relocate if they find conditions unfavorable. DHL/Airborne Express stresses site location and characterization to improve efficiency. Their Ohio hub is able to meet specific on-time air departures because of a lack of congestion, and because the hub is a private airport.

Threats/Challenges

Traffic congestion and delays are very damaging to businesses that rely on just-in-time delivery. Congestion in the Puget Sound region causes delays for shipments leaving from Seattle, causing the freight to miss connections in Ohio.

Strategies

- Business site selection should support the business goals and strategy, provide value to customers, and ensure the company will be viewed positively by the community.
- Logistics and distribution must be considered, especially in congested regions.
- Businesses should plan with an economic development committee if the business is dependent on overnight air shipments.



Source: presentation by Chris Fidler 9/23/03

International View

Dr. Jess Browning of the University of Washington presented “The State of Global Commerce” and addressed current trends in international trade and commerce. Dr. Browning highlighted a number of key trends and issues, identified below by transportation mode.

What's at Stake

Currently, Pacific trade dominates the industry. But changes in global commerce are working to affect a shift towards a reverse in inbound U.S. cargo flow.

- China and Russia are joining the WTO.
- Chinese and Russian railroads want to develop systems going west and to the Middle East.
- Communications and computers are merging.
- Product life cycles are changing.
- Manufacturing locations are changing to lower costs.

Threats/Challenges

Marine

- As ships become larger, port terminals will need to become larger, too.
- Terminal space is being used to store or “inventory” cargo, which is inefficient use of valuable space.
- Marine to rail interface is inefficient.

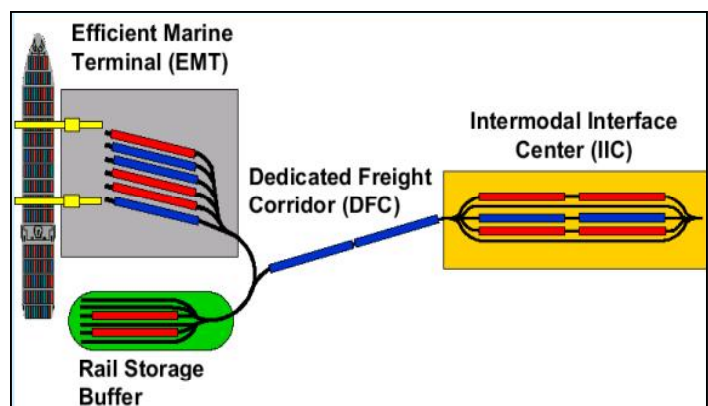
Air

- World market growth of air cargo is growing at 6.6% per year, which means the cargo volume will double by 2016.
- Roles and relationships within the logistics industry are changing dramatically.
- There is inadequate capacity at Sea-Tac for air cargo and related facilities.

Surface

- Intermodal connectors.
- Grade separations.
- Incident management on highways.
- Agency cooperation is lacking.
- Little redundancy N-S and E-W.
- No Western Transportation Corridors.
- Arterial Cirrhosis.
- Utilization of interstate right of way.
- Driver behavior.

Agile Port System



Source: presentation by Jess Browning 9/23/03

Strategies

- FAST must convince stakeholders that improvements can and must be made.
- A systems perspective and better understanding of how global commerce functions and evolves is needed for regions to be globally competitive in the future.

Marine-specific

- Establish efficient marine/inter-modal terminals (Agile Port System).
- Establish a corridor for easy transfer to inland sorting complex, to move static operations away from the marine terminal.
- Increase the use of short sea shipping strategies to better utilize waterways, relieve congestion on roads and improve efficiencies in freight transportation.
- Establish a data management system.

Marine/Rail interface

- Integrate the simultaneous load and discharge of a container ship with a double-stack train.
- Supply and remove carloads of ship-specific containers to and from shipside on demand.

The Pentaport Concept

The Pentaport is a regional hub with connected clusters of business, technology, leisure, airport and marine economic activity. It offers many advantages in the global market, including:

- Institutional linkages;
- Accessibility;
- Transportation linkages;
- Relative location;
- External relationships;
- Interconnection and interdependencies.